

Message Text

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ORIGIN OPIC-06

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OPIC/GC:AMARRA
F/C:RGRIBBIN(SUBS)
-----230723Z 091919 /12
P 222222Z APR 77
FM SECSTATE WASHDC
TO AMEMBASSY KIGALI PRIORITY

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FROM OPIC

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: TEA PROJECT

REF: (A) KIGALI 442; (B) STATE 068447; (C) STATE 070696

1. APPRECIATE EMBASSY INTERVENTION AT THIS CRITICAL STAGE.
WOULD LIKE TO OFFER SEVERAL SUGGESTIONS. RENZAHU ASKED FOR
DETAILED NOTE DESCRIBING STATUS OF PROJECT AS WELL AS
REMAINING OBSTACLES. SUGGEST INCLUDE SUMMARY OF STATUS
EMPHASIZING LENGTHS TO WHICH LENDERS HAVE BEEN WILLING TO GO
IN TERMS OF WAIVING OR DEFERRING STANDARD CONDITIONS PRECE-
DENT IN ADDITION TO LISTING OUTSTANDING ISSUES. IN THAT
ACTING FONMIN EXPLICITLY POINTED OUT USEFULNESS EMBASSY
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INVOLVEMENT IN GETTING PROJECT UNDERWAY, WE ALSO SUGGEST
THIS IS APPROPRIATE TIME TO DOCUMENT CONTINUING ATTEMPTS
AT WORKING LEVEL TO SABOTAGE PROJECT, CITING AS KEY EXAMPLE
SIRT MARKETING ARRANGEMENT AND FACT THAT GOR (RIBANJE) HAS
SCRUBBED YET ANOTHER FORMAL AGREEMENT. ARCHER CAN PROVIDE
DOCUMENTATION FOR THIS AND OTHER INSTANCES OF BLATANT
ATTEMPTS TO PLACE OBSTACLES IN WAY OF PROJECT (I.E., LTP).

LENDERS HAVE GENERAL CONCERN NOT EXPRESSABLE AS CONDITION PRECEDENT THAT DESPITE HIGH LEVEL GOR ENCOURAGEMENT THE MESSAGE DOES NOT SEEM TO FILTER DOWN TO WORKING LEVEL. CONCUR AMBASSADOR DESIRE TO AVOID RAISING INTRACORPORATE ISSUES ON POLITICAL LEVEL UNLESS ABSOLUTELY NECESSARY. HOWEVER SPECIFIC ITEMS NOTED REF (A) (SIRT MARKETING ARRANGEMENT AND EXPATRIATE CONTRACTS) ARE CRITICAL TO PROJECT SUCCESS AND NOT CONSIDERED DEFERRABLE BY LENDERS. THEY ARE NOT ONLY "GERMANE TO LOAN PRECONDITIONS" BUT IN FACT LISTED AS CONDITIONS PRECEDENT (SEE EMBASSY COPY LOAN AGREEMENT SECTIONS 4.01-D AND 4.01-E-V).

2. SUGGEST AMBASSADOR RESPOND ALONG FOLLOWING LINES: PROJECT FOUR MONTHS INTO CONSTRUCTION BUT UNABLE TO CONTINUE DUE LACK OF FOREIGN EXCHANGE REQUIRED FOR PURCHASE ADDITIONAL BUILDING MATERIALS. LENDERS REFUSE DISBURSE FOREIGN EXCHANGE UNTIL SEVERAL REMAINING KEY CONDITIONS PRECEDENT SPELLED OUT IN LOAN AGREEMENT ARE SATISFIED. DESPITE LACK OF FULFILLMENT FOLLOWING PRECONDITIONS LENDERS HAVE AGREED TO DEFER THEM IN THE INTEREST OF KEEPING PROJECT MOVING:

4.01(A) SHARE RETENTION AGREEMENTS

4.01(E)I LEASEHOLD (LEASE EXECUTED FOR WRONG COMPANY)

4.01(E)III IMPROVEMENT OF ACCESS ROAD (UNDERWAY)

4.01(E)IV PROVISION OF ADDITIONAL EUCALYPTUS SUPPLY BY GOR (FUNDS EARMARKED BY GOR FOR THIS CONDITION SPENT ON SOMETHING ELSE)

4.01(I) LETTER OF REPRESENTATIONS REQUIRES THAT BORROWING LIMITED OFFICIAL USE

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COMPANIES BE DULY ORGANIZED, WHICH ACCORDING TO LOCAL COUNSEL MEANS PUBLICATION OF A COMPANY'S STATUTES AND REGISTRE DE COMMERCE NUMBER IN THE OFFICIAL GAZETTE. (USINE, COBORROWER NOT DULY ORGANIZED AT THIS POINT.)

4.01(L) EXECUTION OF MORTGAGE

HOWEVER THERE REMAIN THREE CONDITIONS REQUIRING ACTION BY THE RWANDAN PARTNERS WHICH OPIC, IFC, CANNOT WAIVE. SOURCE: OPIC LOAN AGREEMENT DATED JULY 22, 1976 (PAGE 10).

4.01(D) SIRT SHALL HAVE ENTERED INTO AN AGREEMENT WITH OCIR/T, WHICH AGREEMENT SHALL BE IN FORM AND SUBSTANCE SATISFACTORY TO OPIC, WHEREBY SIRT WILL ACT AS THE EXCLUSIVE MARKETING AGENT FOR THE PRODUCTION OF THE TEA FACTORIES LOCATED AT MULINDI AND PFUNDA.

COMMENT: THE GOR HAS SIGNED TWO SUCH AGREEMENTS, BUT IMPLEMENTED NEITHER.

4.01(E) USINE SHALL HAVE MADE ARRANGEMENTS IN FORM AND SUB-

STANCE SATISFACTORY TO OPIC FOR ... (V) THE HIRING OF
NECESSARY MANAGERS AND TECHNICIANS FOR THE PROJECT.

COMMENT: THE FACTORY MANAGER IS NEEDED TO SUPERVISE
AND COORDINATE THE SELECTION, PURCHASE, AND DELIVERY OF ALL
EQUIPMENT AND MATERIALS TO THE PROJECT SITE. IF THIS
PROJECT HAD BEEN DONE ON A TURN-KEY BASIS, A CONTRACTOR
WOULD HAVE PROVIDED THESE SERVICES, HOWEVER TO MAKE THE
PROJECT ECONOMICALLY VIABLE, SIRT ASSUMED THE ROLE OF
GENERAL CONTRACTOR AND IS THUS RESPONSIBLE FOR THIS FUNC-
TION. THE FACTORY MANAGER WILL BE REQUIRED AT AN EARLY
DATE. THE FACTORY ENGINEER WILL BE REQUIRED AS SOON AS
THE EQUIPMENT IS ON SITE, TO ORGANIZE AND SUPERVISE ITS
INSTALLATION. OPIC CANNOT DISBURSE UNTIL WE ARE SURE THAT
THE BOARD WILL APPROVE CONTRACTS CAPABLE OF ATTRACTING A
TOP FLIGHT EXPATRIATE MANAGER AND ENGINEER. ARCHER HAS
PRESENTED THESE CONTRACTS IN ACCORDANCE WITH THE ORIGINAL
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JOINT VENTURE AGREEMENT, HOWEVER, RWANDAN BOARD MEMBERS
CONTINUE TO POSTPONE APPROVAL OF THEM.

4.01(H) THE COMPANIES SHALL HAVE ENTERED INTO AN AGREEMENT
(THE "PROJECT FUNDS AGREEMENT"), IN FORM AND SUBSTANCE
SATISFACTORY TO OPIC, WHEREBY THERE SHALL BE PROVIDED TO
THE COMPANIES BY OPIC, IFC, RDB, OCIR/T AND TEA IMPORTERS,
PURSUANT TO THE TERMS AND CONDITIONS OF SAID PROJECT FUNDS
AGREEMENT, SUCH FUNDS AS ARE NEEDED TO COMPLETE THE CON-
STRUCTURE AND EQUIPMENT OF, AND PROVIDE WORKING CAPITAL FOR
THE TEA FACTORY COMPRISED IN THE PROJECT IN THE EVENT THAT
THE FUNDS OTHERWISE AVAILABLE ARE NOT ADEQUATE FOR SUCH
PURPOSES.

COMMENT: TWO PROBLEMS HERE RELATING TO AUTHORIZATION OF
PERSONS SIGNING PROJECT FUNDS AGREEMENT. ONE INVOLVES
AUTHORITY OF GATWA TO EXECUTE ON BEHALF OF OCIR/T AND RDB,
SEE REF (B) PARA 3 FOR DISCUSSION TO PROBLEM AND PROPOSED
SOLUTION: SECOND PROBLEM INVOLVES AUTHORITY OF WERTHEIM
TO EXECUTE ON BEHALF OF COMPANIES. SEE REF (C) PARA (B)
FOR DISCUSSION AND PROPOSED SOLUTION. (BOARD RESOLUTION)

TEA IMPORTERS, IFC, OPIC, U.S.EMBASSY AND THE GOR HAVE
WORKED TOGETHER DILIGENTLY OVER THE PAST THREE YEARS TO
MAKE THIS PROJECT POSSIBLE. ALL PARTIES HAVE SHOWN AN
UNUSUAL DEGREE OF FLEXIBILITY AND HAVE RECOGNIZED AND
ATTEMPTED TO DEAL FAIRLY WITH THE SPECIAL CONSIDERATIONS
REQUIRED TO PUT TOGETHER A PROJECT INVOLVING THE FIRST
MAJOR U.S. PRIVATE INVESTMENT IN RWANDA. HOWEVER A CONTIN-
UING LACK OF COOPERATION ON THE PART OF GOR OFFICIALS
DIRECTLY INVOLVED IN IMPLEMENTING THE PROJECT HAS ALREADY

CAUSED AN 8-10 MONTH DELAY IN CONSTRUCTION AND ACCOMPANY-
ING COST ESCALATION. THE LONGER THIS NEGATIVE INFLUENCE
DOMINATES, THE MORE CONCERNED ALL PARTICIPANTS BECOME THAT,
WHILE THE PROJECT SEEMS ECONOMICALLY VIABLE AND BENEFICIAL

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TO ALL INVOLVED, CONTINUING DELAYS AND RESULTANT COST ESCA-
LATIONS MIGHT EVENTUALLY RENDER IT UNFEASIBLE. (INSERT
ARCHER DOCUMENTATION OF SIRT MARKETING AGREEMENT PROBLEMS
AND ANY OTHER WHICH SEEM APPROPRIATE). WE ARE GRATEFUL
FOR TOP LEVEL GOR SUPPORT OF THE PROJECT, BUT CONCERNED
THAT THE MESSAGE HAS NOT FILTERED DOWN TO THE WORKING LEVEL.

3. STATE CONCURS WITH APPROACH OUTLINED ABOVE. DECONTROL
UPON RECEIPT.
VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN INVESTMENTS, PROGRAMS (PROJECTS), TEA
Control Number: n/a
Copy: SINGLE
Sent Date: 22-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition History: n/a
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Drafter: TPARNELL
Enclosure: n/a
Executive Order: N/A
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ISecure: 1
Legacy Key: link1977/newtext/t19770427/aaaaaxfe.tel
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SAS ID: 2717567
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Subject: TEA PROJECT
TAGS: EFIN, EPAP, RW, OPIC
To: KIGALI
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